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ABSTRACT

Assuming that full State funding proposals will become more prevalent as a result of recent court decisions affecting State educational financing systems, the author examines the problems and opportunities presented by full State funding and suggests a programmatic approach to the allocation of State funds to local school districts. He suggests that existing categorical aid programs be condensed into nine instructional and three student services programs, with a program cost formula for each of the twelve programs to be developed. These formulas could be as objective as possible to assure that all local school systems would receive equal treatment, yet be sensitive to unusual local conditions that affect the amount of funds needed. (Author/JF)

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If the Serrano decision is sustained, local school taxation must either be "equalized or eliminated." The elimination option, commonly called "full state funding," would fundamentally change the relationship between the state education agency and local school districts. The latter would become more like departments of state government and less like municipal corporations. They would lose most of their fiscal independence; decisions requiring additional expenditures would be made by the state.

The other option, to equalize taxing capacities of school districts, has been offered as a way to preserve substantial local fiscal independence without violating the equal protection clause of the Fourteenth Amendment. Although this goal is widely approved, the feasibility of its attainment is often questioned.

If it were possible to alter boundaries of school districts, so that assessed values of taxable property per student were nearly equal in all districts, the goal could be attained. But, to do this would require school districts so large that "local" fiscal independence would no longer be "local." Instead, there would be regional taxing agencies which would offer little advantage over statewide taxation and full state funding.

For this reason, the most widely-discussed approach to equalizing the school tax base is a state aid system called "power equalizing." This system, sometimes called "equalized matching," permits the school district to determine its tax rate. and requires the state to "match" the proceeds of the local school tax, using different matching ratios for different school districts. The matching ratios are inversely related to the taxable wealth per student of the school district, so that low-wealth school districts receive greater amounts of state aid, and the sum of local and state funds per student is the same for all school districts which levy the same tax rate.

The "power equalizing" plan of state school support is offered as a substitute for the widely-used "foundation program" which, according to recent court decisions, violates the equal protection clause of the Fourteenth Amendment. Since there are many similarities between "power equalizing" and the "foundation program" approach to public school finance, the distinction between them needs clarification. The following statements indicate the essential difference between them:

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Power Equalizing	Foundation Program
Purpose: To establish an equal tax base per student, thus equalizing potential income per student for all school districts.	Purpose: To guarantee a specific annual income per student for all school districts, irrespective of local taxable wealth per student.
State Contribution: Amount is inversely related to local taxable wealth per student and directly proportional to the total local school tax rate.	State Contribution: Amount is inversely related to the local taxable wealth per student and is independent of the total local school tax rate.
Required Local Tax Rate: No specific tax rate is required, but the amount of state aid is reduced if the local tax rate is reduced.	Required Local Tax Rate: A specific local tax rate is required by law for all school districts to provide the local contribution to the foundation program.
Limitation Upon State's Contribution: No limit is established. If a local school district increases its local tax rate, it would be entitled to more state aid.	Limitation Upon State's Contribution: The state contributes toward the cost of the minimum program only. Expenditures beyond the minimum must come entirely from local taxation.
Source of Inequalities: Inequalities in income per student depend upon the willingness of people to tax themselves locally for public schools.	Source of Inequalities: Inequalities in income per student stem primarily from differences in taxable wealth per student for school taxes beyond the required local contribution rate.

The foregoing description indicates why one approach is called "power equalizing," or "equalized matching," and the other the "foundation program." Under the former, a matching ratio is first computed for each school district. Low-wealth districts would have high state matching ratios, calling for, say, $5 from the state for each dollar raised locally. School districts with large amounts of taxable wealth per student would have low matching ratios and would receive, say, $1 from the state for each $5 raised locally. For extremely wealthy school districts, the matching ratios would be negative, calling for a contribution from the district to the state.

The formula used to compute the matching ratios would assure that school disctricts which levied the same tax rates would receive from state and local sources combined the same total number of dollars per student. In this sense, the potential incomes would be equalized.

The term foundation program refers to a specific amount of income per student, presumably sufficient to finance a minimum, or standard school program. Under the foundation program concept, the state contributes only toward the cost of the state standard program. Expenditures beyond this amount must be obtained exclusively from local tax sources, giving an advantage to school districts with large amounts

of taxable wealth per student, and making it difficult for low-wealth districts to supplement the state standard program. This is the main source of the inequalities cited by the Court in the Serrano Case.

In this paper, I assume that full state funding means precisely what it says--all public school income will come from state and Federal sources, and local taxation for public schools will be discontinued. Such a change in school finance policy would inevitably bring a new relationship between the state education agency and local school districts. Before describing this new relationship, it is useful to review, briefly, some of the characteristics of state school finance systems which have influenced the relationship between the state education agency and local school districts in the past.

The foundation program concept has done much to define the role of the state education agency. Equalization of public school support has been sought by improving the status of schools in the less-wealthy school districts without reducing funds available in the more affluent communities, a process well suited to the inevitable compromises of the legislative process. Moreover, the school programs in the wealthy school districts set the pace for the rest of the state. But, the process of equalization of school support has been too gradual in most states, and recent court decisions reflect impatience with the pace of the movement toward equal schooling.

Partial equalization of per pupil expenditures, accomplished by the foundation program, reflects one of the basic compromises upon which public schools rest--a compromise between statewide equality of schools, on the one hand, and local option to strive for excellence on the other. In principle, this compromise between statewide uniformity and local option has worked reasonably well. Its acceptance depends primarily upon the maintenance of a reasonable balance between the quality of public schooling guaranteed for all children and youth in the state, and the quality of schooling provided in the best local school systems in the state. If this gap is small, and if the state standard program is adequate, the compromise is generally accepted.

The essential compromise of the foundation program concept has done much to shape the role of the state education agency, and a change to full state funding would change this role fundamentally. In the following paragraphs, three financial effects of elimination of the local school property tax are noted, along with anticipated affects upon the role of the state education agency:

1. Under full state funding, equalization of financial support of public schools would be assured. For the state education agency, this would mean that energies formerly devoted to equalizing public school support would be re-directed into a search for adequate funding for all schools. No longer would it be possible to argue for more funds for low-wealth districts to bring them up to expenditure levels of average or high-wealth districts. There would be no pacesetting school districts that could be used for comparison purposes. Requests for increases in the school budget would be based upon the educational value of proposed programs and upon salary schedules, not upon bringing low-wealth districts up to expenditure

levels prevailing in average districts. This change would require new methods of assessing the benefits and costs of educational programs.

2. Under full state funding, local initiative in the development and maintenance of new innovative programs would be severely restricted. This means that state education agencies would need to devote more energy to developing new ways to change and improve schools. The prevailing weakness of the public school system would not be financial inequality, but rather excessive uniformity. This fact would require new emphasis in the leadership role of state education agencies. It would require new ways to introduce new programs into the public schools.

3. Under full state funding, determination of the precise total amount of local school budgets, formerly a local function, would become the responsibility of the state. Under present school finance procedures, the state contributes what is admittedly a minimum amount per pupil and assumes that this amount will be supplemented up to the precise amount needed from local sources. With elimination of the local school tax, local supplementation would no longer be possible, and the state would determine the precise total amount needed instead of the minimum amount. This change would have far-reaching affects upon the relationship between the state education agency and local school districts.

Under the foundation program, there was always the final, crucial local contribution to the school budget. Even if this contribution was small, it was crucial, because it determined the total amount of the school budget. Income from state and Federal sources was computed first, and the amounts contributed were usually independent of the total amount of the school budget. The final budget-balancing contribution came from local sources, and it was the determination of this amount that gave the local school board the key role in the budgetary process.

Elimination of the local school tax would reduce significantly the local role in the budgetary process and place greater responsibility upon the state education agency. To discharge this responsibility, state education agencies would need to develop new systems for allocating state school funds among local school districts. The new system should have three characteristics:

1. It must be more precise and must make provision for unusual local needs. Present systems granting $500 per pupil, or $15,000 per classroom, are too crude to measure adequately the total annual need of local school systems.

2. It must identify clearly, for the legislature and the public, the scope of educational services rendered to pupils. Present systems, except for categorically-aided programs, do not indicate the scope of educational services provided by the school. This must be clarified to justify appropriation requests. In the past, appropriations were often requested to reduce excessive local school tax rates, or to increase financial support of low-wealth districts. These arguments for increased state school appropriations would no longer be available; instead, it would be necessary to defend appropriation requests by describing and evaluating the various components of a total school program.

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3. It must preserve community and parental interest in the school program, even though all income comes from more remote sources. There is a danger that the school, as an institution, would shift its primary loyalties from the local community to its sources of money -- the state and Federal governments. This could lead to decreased cooperation between the home and school, thus weakening an essential element in the child-rearing process.

With these requirements in mind, the programmatic approach to public school support has been developed.

The Programmatic Approach

The programmatic approach to the allocation of state funds to local school districts displays clearly the amount of state funds allotted for each major school program. In this sense, the plan resembles the categorical aid system, which most school administrators dislike because of the constraints it places upon the budgetary process and because of its burdensome administrative concomitants. Appropriating agencies, however, like its clarity of purpose. Unlike general support, categorical aids seem to assure legislators that, for a relatively small appropriation, substantial program improvement will be achieved.

The problem, then, is to retain their clarity of purpose and avoid their administrative constraints and burdens. This can be achieved by consolidating existing categorical aids into fewer programs with broader purposes. It is suggested, therefore, that state school funds be allotted to local school systems for each of the following programs:

Instructional Programs

1. The Standard Elementary Program
2. The Standard Intermediate Program
3. The Standard Secondary Program
4. Kindergartens and Nursery Schools
5. Summer School Education
6. Vocational Education
7. Special Education
8. Compensatory Education
9. Adult Education

Student Services Programs

10. Health Services

11. Food Services

12. Pupil Transportation Services

For each of these programs, goals and objectives should be formulated, along with criteria for assessing the programs' effectiveness. For example, the purpose of the summer school education might be: (1) to provide for children who have failed a course an opportunity to make it up during the summer; (2) to provide special advanced instruction for gifted students who show talents for school work substantially beyond that available in the regular school program; and (3) the provision of typing for students who want one course in it for personal use. If these are the objectives of a summer school program, then it should be possible to report, at the end of the year, the number of students who completed the courses and how well they did in these courses. With such a report, the legislature should be able to determine whether or not its investment in summer school education is a sound one. Similar objectives should be spelled out for each program.

After the programs are identified and the goals clearly stated, it is necessary to determine the resources required for each program, along with their costs. For this purpose, it would be necessary to develop a program cost formula for each of the twelve programs. These formulas would need to be as objective as possible to assure that all local school systems receive equal treatment, yet they should be sensitive to unusual local conditions which affect the amount of funds needed.

In the recently completed National Educational Finance Project, it was suggested that some students cost more than others to educate. Accordingly, it was suggested that all students be classified into different categories representing different degrees of educational difficulty. Then an annual cost of education amount for each category could be established.

Under this plan, a local school system would simply report the number of students it had in each category, and it would receive from the state the established amount of money for each student. This plan was suggested for use in foundation programs, but it probably is not sufficiently precise or sensitive to local needs to be used under full state funding.

For full state funding, it is proposed that, for each of the nine intructional programs, there be three allotments: (1) an allotment for salaries of certificated employees; (2) a standard support allotment; and (3) a supplemental support allotment. The sum of these three allotments for an instructional program is the amount of current expense funds needed for that program for one year.

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To show how allotments to local school districts for each program would be computed, illustrative "Budget Request Forms" have been prepared for the "Standard Elementary School Program" and for the "Vocational Education Program." Each local school district would prepare such a budget request form for each program it maintains.

The state education agency would review these budget requests, approving routinely those which conformed to established state pupil-teacher norms, to salary schedule requirements, and to the state standard support allotment.

Although this part of the budget review process could be routine and "objective," approval of amounts requested for "Supplementary Support" would require careful analysis. Included in this category would be replacement of instructional equipment used in vocational classes, unusual maintenance costs incurred for old buildings, security personnel needed to protect buildings from vandalism, etc. State policies concerning such extra allotments could be developed with experience.

Perhaps the most sensitive part of the entire process would be the approved salary schedule. Obviously, the state cannot agree to pay, in full, the cost of all locally-adopted salary schedules. But, it is also obvious that a sudden shift to a uniform statewide salary schedule would create serious problems. For this reason, state approval of local salary schedules is suggested, providing time for a gradual movement toward more uniform salary policies.

This budget review process contemplates state intervention into what were formerly local dicisions, not because the state has superior wisdom, but simply because the state, under full funding, must allocate educational resources equitably throughout the state. Hopefully, maximum local freedom to select and deploy teaching personnel would be maintained. Although a traditional school organization is assumed for the purpose of calculating the amount of funds a local school district is entitled to receive, it is expected that the state would permit funds to be expended for new and different instructional arrangements.

Concluding Comment

This paper assumes, but does not advocate, full state funding and elimination of the local school tax. However, if the opposition to local property taxation for public schools mounts, and if courts cling to the basic idea of the Serrano Decision, full state funding may be the wave of the future. For these reasons, we should begin now to examine the problems and opportunities it presents.

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